THE CHANGING WEALTH MANAGEMENT WORKPLACE

EXAMINING HOW WORKPLACE DESIGN CAN RESPOND TO CURRENT TRENDS TO POSITION WEALTH MANAGEMENT COMPANIES FOR THE FUTURE.

Wealth management firms are accustomed to weathering economic, regulatory and geopolitical shifts, but the pace of these changes has accelerated to unprecedented levels. Changes in investor demographics, a growing wealth gap, cyberthreats and emerging technologies like artificial intelligence, data analytics and cryptocurrencies are adding to the challenges. These firms must also create effective post-pandemic work environments—often a hybrid solution between office and home—that will help them prevail in the increasingly heated war for talent.

TRENDS DISRUPTING THE WEALTH MANAGEMENT INDUSTRY

An unprecedented convergence of trends is forcing wealth management companies to reexamine how they work and the spaces their people need. Here are four trends keeping the C-suite awake at night.

EMERGING TECHNOLOGY

As companies were forced to move their operations out of the office and work remotely during the COVID-19 pandemic, leaders in implementing new technologies were rewarded—just as digital laggards were exposed.

Among the challenges:

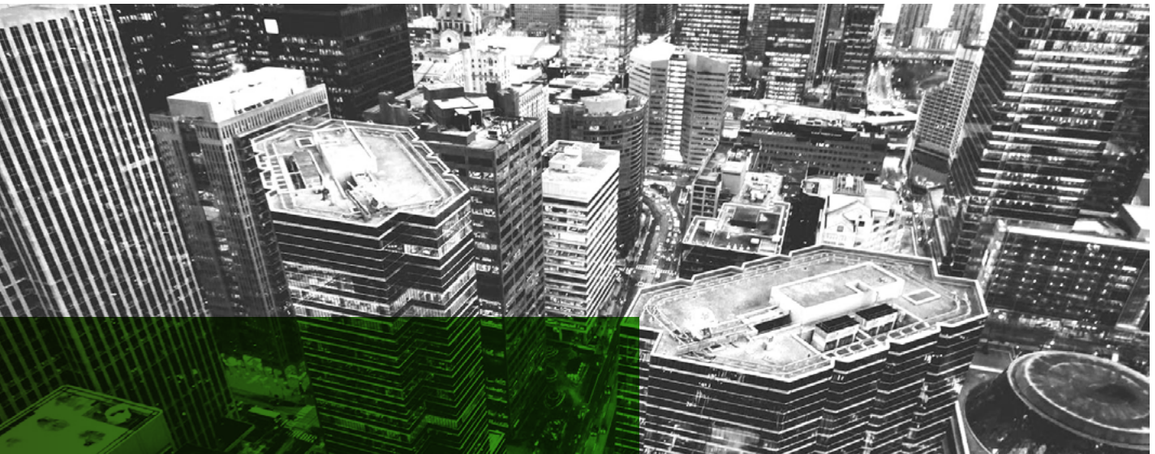
- Incorporating cryptocurrencies, biometrics, blockchain and cognitive computing.
- Accommodating the need for real-time data integration across multiple devices.
- Putting in place hyper-personal, customizable, intuitive and interactive platforms.
- Implementing gamification simulations.
- Introducing robo-advisors based on mathematical algorithms.

SECURITY AND TRUST

Preventing ransomware cyberattacks is the highest priority within the wealth management industry.

Among the challenges:

- Embracing digitization while putting in place policies and practices that protect data.
- Overcoming heightened risk that comes with apps vs. traditional banking.
- Ensuring privacy and personal security for clients visiting the office.



REGULATIONS

Companies must manage complex regulatory requirements in an increasingly global business environment.

Among the challenges:

- Meeting increased compliance requirements.
- Confronting significant risk management and corporate governance requirements to transcend business lines, legal entities and jurisdiction of operations.
- Implementing or enhancing firmwide compliance risk management programs and program oversight.

CHANGING DEMOGRAPHICS

Investors and their advisors are becoming younger and more diverse. Many younger investors desire more boutique, personal services. Clients will expect a strategic plan and more integrated, team-based approach to managing all their financial needs.

In response to their changing client base, many of today's wealth management companies are expanding their service offerings. Though very few provide all these services, the range of offerings can include:

- Financial Planning
- Investment Management
- Accounting Services
- Venture Capital
- Estate/Tax Planning
- Risk Mitigation

Younger investors will demand more consideration of environmental, social and governance factors in their portfolio decision-making process—as well as in the operations and physical environments of their advisors.

THE WAR FOR TALENT

To navigate through these trends transforming the wealth management industry, these firms need to attract and keep the best people—the chief currency of their business. The industry typically attracts goal-oriented high achievers looking to grow professionally, excel in all they do and earn a high income. The stress is renowned, and competition is fierce.

The tech sector is luring talented professionals away from wealth management companies. Young people are often compelled to seek employment with tech companies—in part because they can relate their personal values to those of tech brands. These fintech companies can then leverage their newly acquired expertise to target new profit sources such as payment systems, consumer and business lending, and investment advisory services.

To keep up, wealth management firms need to act more like tech companies. This means doing everything they can to help their people feel engaged and empowered. The workplace environment plays a big part in this.

IMPACT OF THE PANDEMIC

Aon surveyed[1] more than 300 financial sector companies about changes in how they work in response to COVID-19. The survey revealed some interesting results:

- The highest priority for financial services companies is to ensure that their resources, (including people, real estate and technology) can be deployed as flexibly as possible. Their next priorities were maximizing workforce agility and improving diversity, equity and inclusion. They ranked planning for a more geographically distributed workforce as their lowest priority.
- **Sixty-nine percent of respondents** stated that they are implementing agile ways of working and another **17 percent** are considering doing so.
- **Eighty-three percent** are looking to incorporate remote/virtual working, with an additional **10 percent** considering it.
- **Seventy-four percent** are evaluating their workforce's use of tools and technology, while **71 percent** are looking to implement well-being strategies.
- **Sixty-four percent** expect at least half their workforce to return to the office after the pandemic. To date, few are providing allowances to support remote work setups beyond required technology.

[1] *"The Office Reimagined: Smart Working Towards a Resilient Future," Aon, retrieved October 1, 2021, https://www.aon.com/unitedkingdom/wtc-london/the-office-reimagined.aspx.*

FIVE BIG CHANGES TO WORKPLACE ENVIRONMENTS

In response to these trends, many wealth management firms are reevaluating their real estate and facilities and updating their workplace environments.

They are focusing on:

1. Transforming the workplace to support a hybrid work model of office and remote work.
2. Purpose of place: Enhancing the experience for employees and clients who come into the office.
3. The health, safety and well-being of their people.
4. Environmental, social and governance (ESG) issues.
5. Providing new employee amenities.

1 HYBRID WORK MODEL

As they emerge from the pandemic, wealth management firms are attempting to address changes in how people work—and what that means for their physical space. It's clear that employees want to have more flexibility and choices about where they work.

What is emerging is a blended, hybrid work model that reflects the specific needs of companies' employees and customers. An effective hybrid work environment also ensures business continuity and resilience.

With technology giving them the ability to work anywhere and anytime, advisors, researchers and administrative staff in wealth management firms are untethered to work remotely.

But not all employees have this option. Trading floors are an example of tethered work, with traders often requiring high-speed network connections and technology including multiple screens that need continuous monitoring.

Some wealth management firms are electing to keep their contact center staff working remotely while calling their traders and client engagement teams back into the office. They believe being together in a single location enables teams to better collaborate, ideate and innovate.

The increased threat of cyberattacks is causing some companies to keep their people inside their walls to ensure cybersecurity and preserve their customers' trust. Financial services companies must safeguard their apps, communications and websites. Protection from hacking, compliance with regulations, securing personal data, transparency and risk management are all critical.

Several years ago, Bank of America famously ended an experiment with telework and called remote-work employees back into the office to improve collaboration. It is one of the many large banks that, as the world returns to normal, is expecting to largely forgo remote work and return to a traditional office structure.[2]

Going forward, the degree to which a company leverages remote work and embraces a hybrid work model will reflect its business model, work styles and need to appease their workforce. This will likely fluctuate over the next 18 months as companies adjust to the post-pandemic era and respond to the cyclical nature of business.

2 PURPOSE OF PLACE

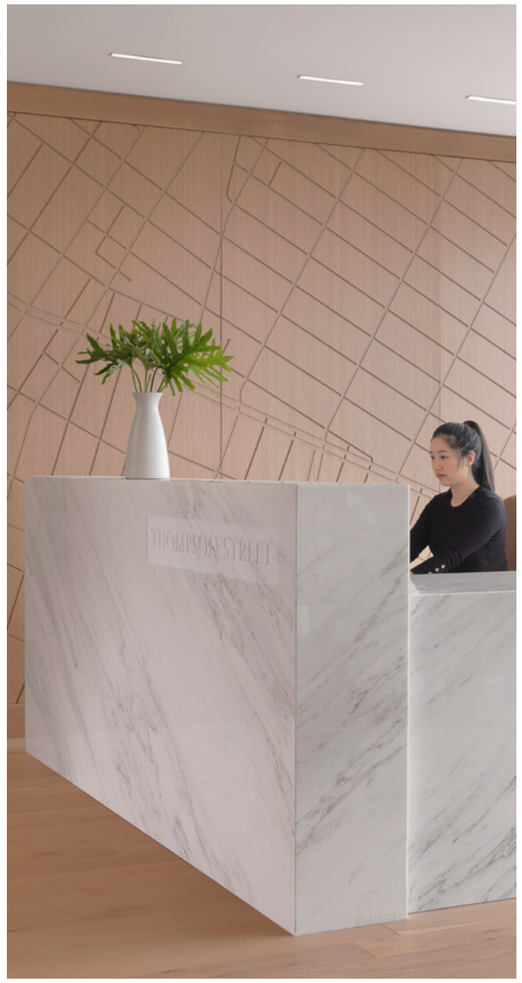
Wealth management firms must create highly curated workplace experiences that support the needs of clients and their employees.

First impressions are critical. Truly curated client experiences consider their entire journey, beginning before they arrive in the office and continuing when they depart. The space itself should communicate a variety of positive impressions about the firm's brand. Authentic brand experiences echo what people already know about a company while delivering fresh perspectives and concepts that add to the story. Some have even created museum-like spaces that support their brand storytelling.

Some wealth management firms are foregoing formal reception areas and traditional conference rooms and replacing them with customer experience zones. These imaginative spaces create opportunities for clients to have experiences they can't get online.

As the clients of wealth management firms become increasingly global, it's important for their office space to reflect cultural nuances.

[2]Rosenbaum, Eric, "Bank of America Very Focused on Getting People Back to the Office," CNBC, October 13, 2021, https://www.cnb.com/2021/10/13/focused-on-getting-people-back-to-office-bank-of-america-leader.html.



Bespoke Space for Thompson Street Capital Partners

Housed on the penthouse level of a Clayton, Mo., office tower, this workspace provides a customized, world-class environment that reflects Thompson Street's progressive business and core Midwestern values. Custom finish carpentry and precise detailing distinguish this bespoke workplace.

Infusing Local Culture in Confidential Client's Miami Office

The design of this wealth management office reflects its strong Latin American community and clients.

The team elevated the sophisticated, rich materials specified in the company's space standards by introducing vibrant colors in client-facing spaces. Architectural elements feature bold patterns reminiscent of those seen in nearby neighborhoods. Artwork was sourced from several prominent Miami-based Latin American artists.

Wealth management firms also need to create a positive employee experience that supports a multigenerational workforce.

Industry trends, for example, are to reduce the size of individual offices to provide more shared amenity spaces and to create transparency by using more glass and open environments.

Yet wealth management firms need to acknowledge the preferences of more senior advisors, many of whom are accustomed to the prestige that accompanies large individual offices. Some companies are experiencing pushback from employees who prefer the more traditional, hierarchical office structure. They will need to find the right mix for their people and business goals.

3 DESIGN FOR HEALTH, SAFETY AND WELL-BEING

The financial sector tends to be a high-pressure, stressful work environment, especially on trading floors. More companies are looking for their workplace environments to help alleviate this stress.

Providing areas where staff can reflect and rejuvenate, such as refresh zones, outdoor space or contemplative space can improve well-being and productivity. Unassigned enclaves and quiet zones increase mindfulness.

Addressing acoustics, thermal comfort and indoor air quality can boost performance and satisfaction.

It's important to provide ergonomically designed spaces and access to natural materials, daylight and views. In response to ergonomic needs, companies are encouraging standing meetings, incorporating sit-to-stand work settings and providing perching stools.

The growing emphasis on health and wellness is driving demand for healthier food options, including organic and farm-to-table offerings.

Wealth management companies are protecting their high-net-worth individuals (HNWIs) with safe rooms and separate office entries.

4 FOCUS ON ESG

New economic pressures, climate change and the much-needed push for equity are making environmental, social and governance issues (ESG) increasingly essential to a firm's performance. ESG is top of mind for the C-suite, with firms establishing new policies and protocols and tracking metrics for reporting progress.

The workplace can reinforce this commitment and attract employees who value environmental and social concerns.

Metrics related to the work environment can include LEED, WELL, Fitwel and BREEAM certification.

5 INCORPORATING NEW AMENITIES

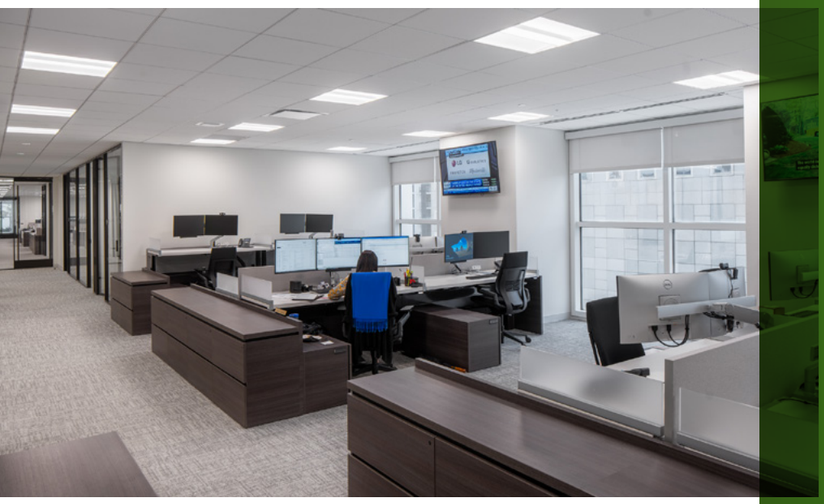
Enhanced incentives and amenities are increasingly being offered to entice employees back into the office and help retain the best people.

Some wealth management firms are going to extreme measures to keep their people, offering raises, bonuses and other incentives ranging from Peloton bikes to luxury vacations

Many are centralizing amenity spaces such as gyms and cafés. On-site amenities help keep employees motivated and retain some of the work-life balance they found while working remotely. Concierge services, wellness suites, tech bars, refresh spaces, outdoor workspaces and multipurpose spaces that act as learning spaces are emerging as go-to amenities.

Some firms are upping the ante by providing indoor driving ranges, putting greens, game rooms, golf and multisport simulators, catering kitchens and lifestyle studios.

Others are leveraging their space to create community interaction and engagement. This can include scalable meeting space that can be used to create intimate spaces for clients but also large public gathering space.



A Sustainable Focus

The design of this new office for the wealth management arm of a global financial services company used the LEED green building rating system as a checklist to validate sustainability measures.

Individual lighting controls throughout the space promote productivity, comfort and well-being while reducing energy use.

The environmentally responsible attributes of the office's materials and products include recycled content, bio-based content and extended producer responsibility programs.

The design provides a high-quality indoor environment for employees and clients. Improvements include enhanced air quality, visual comfort, connection to the outdoors, and increased access to natural daylight and views.

KEY OFFICE METRICS

Based on our current work with financial services companies, benchmarking database and knowledge of best practices, HOK's WorkPlace team recommends these office metrics.

	RANGE	BEST-IN-CLASS METRICS	NOTES
Work point size (ASF)	25-46	36	Increased personal space and 6' spacing
Office sizes (ASF)	100-180	120	Reduced size and allocation of offices
RSF per employee	200-296	260	Increase in WFH offset by increase of spacing per work point and more client engagement space
Open to closed work point		70% : 30%	
Open to closed collaboration spots		36% : 67%	Due to confines of enclosed rooms
Sharing ratio (work point : staff)		1 : 1	Impacted by WFH
Collaborative (seat : to work point)		1.1 : 1	Office becomes more of a gathering space
Total seat : to staff		1.75 : 1	Impacted by WFH and increased meeting space
Assigned seat if in the office	50%-100%	90%	Impacted by WFH

**ASF – assignable square foot, the actual spaces by dimensions*

GOING FORWARD

The wealth management industry has always had to contend with change. It's the speed at which today's changes are occurring that requires wealth management companies to be especially agile, lean and adaptive.

There is no one size-fits-all strategy or design for any company. The best practices and metrics that HOK's WorkPlace teams have developed through our work with wealth management firms and other clients all over the world enable us to partner with you to deliver the right solution for your people.

High-performance workplaces enable people to be productive, engaged and happy, whether they are distributed workers, digital nomads or working in an office building, hospital, lab, campus or at home. HOK's evidence-based design solutions optimize the potential of these experiences. This may involve decreasing occupancy costs, embodying an organization's culture or fostering innovation—however our client defines success. Leveraging our global network and knowledge of best practices, HOK's WorkPlace practice leads the strategic planning, design and implementation of work experiences across the world.

hok.com/workplace

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